Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

UNCLASSIFIED

PAGE 01 ABIDJA 01617 01 OF 02 161643Z
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 USIA-15
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02
H-02 /094 W
----------045939 161810Z /70
R 161537Z FEB 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
AMEMBASSY KIGALI
INFO SECSTATE WASHDC 7430

UNCLAS SECTION 1 OF 2 ABIDJAN 1617

DEPT PASS NAC AGENCIES

E.O. 11652: N/A
TAGS: AFDF, EAID, EFIN
SUBJECT: PROPOSED SUPPLEMENTARY AFRICAN DEVELOPMENT FUND LOAN TO FINANCE RWANDA RAMBA-GASEKE TEA PROJECT

SUMMARY: AFDF MANAGEMENT PROPOSES 2.2 MILLION FUND UNIT OF ACCOUNT (FUA EQUAL TO US $1.11) SUPPLEMENTARY LOAN TO COMPLETE THE RAMBA-GASEKE TEA PROJECT, LOCATED IN THE GISENYI REGION IN NORTH-WEST RWANDA. THE PROPOSED LOAN WOULD SUPPLEMENT AN APRIL 1974 AFDF LOAN OF 4.3 MILLION FUA. THE 1974 AFDF LOAN TOGETHER WITH GOR FINANCING EQUAL TO 778 THOUSAND FUA WAS TO COVER ENTIRE PROJECT COSTS, AT THAT TIME ESTIMATED TO EQUAL 5 MILLION FUA. THE PROJECT CONSISTS OF THE DEVELOPMENT OF 700 HA OF TEA PLANTATION, CONSTRUCTION OF FEEDER ROADS AND A 1,200 TON CAPACITY TEA FACTORY. ORIGINAL AFDF LOAN DOCUMENT DID NOT ASSIGN RESPONSIBILITY FOR COST OVERRUNS. END SUMMARY

1. AFDF DOCUMENT BD/78/13 DESCRIBING SUPPLEMENTARY
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ABIDJA 01617 01 OF 02 161643Z

LOAN POUCHED TO NAC AGENCIES FEB 7, 1978. BOARD CONSIDERATION SCHEDULED FOR FEB 28, REQUEST AMEMBASSY KIGALI CABLE ANY VIEWS ON PROJECT TO ASSIST NATIONAL ADVISORY COUNCIL DELIBERATIONS ON U.S. BOARD POSITION.

2. IN APRIL 1974, AFDF APPROVED A 4.3 MILLION FUA

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

LOAN TO FINANCE 84 PERCENT OF THE RWANDA RAMBA-
GASEKE TEA PROJECT, WITH THE GOR PROVIDING THE
BALANCE EQUAL TO 778 THOUSAND FUA. THE GOR PARTI-
CIPATION WAS TO MEET LOCAL COSTS. COST ESTIMATES
INCLUDED 7 PERCENT ALLOWANCE FOR PHYSICAL CONTIN-
GENCIES AND ALLOWANCE FOR 8 PERCENT ANNUAL PRICE
ESCALATION. THE COMPONENTS OF THE PROJECT INCLUDE:
A) ESTABLISHMENT OF 600 HA OF PLANTATIONS FOR SMALL HOLDERS
AND 100 HA OF GOVERNMENT RUN PLANTATION TO BE DEVELOPED IN
ONE OR TWO LARGE UNITS; INDIVIDUAL FARMERS PLANT 0.20 HA;
G) CONSTRUCTION OF BUILDINGS AND INSTALLATION OF
EQUIPMENT FOR THE TEA FACTORY HAVING A CAPACITY OF
1,200 TONS OF TEA; C) CONSTRUCTION OF 80 KM OF
ACCESS ROADS TO FACILITATE COLLECTION AND TRANSPOR-
TATION OF TEA LEAVES; D) CONSTRUCTION OF CENTERS
FOR THE COLLECTION OF GREEN LEAVES, A COLLECTION
CENTER WILL BE BUILT FOR EACH 30 HA OF PLANTATION;
E) CONSTRUCTION OF OFFICES AND ASSOCIATED BUILDINGS.
TERMS OF ORIGINAL AFDF LOAN 50 YEARS AMORTIZATION
INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE
CHARGE. AFDF LOAN ON LENT BY THE BORROWER,
GOVERNMENT OF RWANDA, TO THE EXECUTING AGENCY,
THE RWANDA TEA BOARD, ON SAME TERMS AS AFDF LOAN.

3. AT FULL PRODUCTION IN YEAR 13 OF PROJECT LIFE,
THE 600 HA OF INDIVIDUAL PLANTATIONS AND THE 100 HA
UNCLASSIFIED

UNCLASSIFIED

OF GOVERNMENT UNITS WILL YIELD 1,020 TONS AND
170 TONS OF DRY TEA RESPECTIVELY, TOTALING 1,190
TONS OF TEA. FINANCIAL ANALYSIS OF THE PROJECT
IN 1974 WAS BASED ON EXPECTATION OF LONDON MARKET
PRICE OF TEA EQUAL TO 45 N.P. PER KG OF DRY TEA.
(SUPPLEMENTARY LOAN DOCUMENT INDICATES THAT 1977
PRICE WAS EQUAL TO 120 N.P. PER KG.) ON THE BASIS
OF 1974 ESTIMATES, THE FACTORY'S RATE OF RETURN WAS CAL-

CULATED AT 12 PERCENT OVER A 25-YEAR PROJECT
LIFE. FACTORY TO COMMENCE OPERATION IN YEAR SEVEN.
PROJECT BENEFITS INCLUDE INCREASE IN RWANDA'S FOREIGN
EXCHANGE EARNINGS UNDER ASSUMPTION THAT 95 PERCENT
OF PRODUCTION WILL BE EXPORTED. PROJECT TO PROVIDE
INCOME FOR 3,000 FARM FAMILIES (ABOUT
18,000 PEOPLE) WHICH HAD PREVIOUSLY BEEN LIVING AT
SUBSISTENCE LEVEL. PROJECT ECONOMIC RATE OF RETURN
UNDER 1974 CONDITIONS WAS ESTIMATED AT 10.4 PERCENT.
AT THAT TIME A 10 PERCENT INCREASE IN PROJECT COSTS
INDICATED A 7.8 PERCENT RETURN; A SUBSEQUENT 10 PERCENT
DECREASE IN INCOME DROPPED RETURN TO SEVEN PERCENT.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 ABIDJA 01617 02 OF 02 161656Z
ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-14 NSC-05 AID-05
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 USIA-15
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02
H-02 /094 W
----------046205 161812Z /70
R 161537Z FEB 78
FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY WASHDC
AMEMBASSY KIGALI
INFO SECSTATE WASHDC 7431

UNCLAS SECTION 2 OF 2 ABIDJAN 1617

DEPT PASS NAC AGENCIES

4. CONDITIONS OF THE LOAN WERE FULFILLED AND THE PROJECT BEGUN IN OCTOBER 1974. THE PROJECT HAS EXPERIENCED SOME TECHNICAL AND ADMINISTRATIVE DIFFICULTIES, AND AT ONE POINT THE PROJECT MANAGER WAS DISMISSED, WITH A SUCCESSOR BEING LOCATED BY THE AFDF. AS OF NOVEMBER 1977, 467 HA OF TEA HAD BEEN PLANTED OUT OF THE 700 HA TOTAL. CONSTRUCTION OF WORKS IS ALMOST COMPLETED, WHILE ROAD WORKS AND GRADING OF PLANTATIONS IS PROCEEDING SATISFACTORILY. THE SITE FOR THE FACTORY HAS BEEN CLEARED AND IS READY FOR CONSTRUCTION.

5. AT THE TIME OF THE APPRAISAL OF THE PROJECT IN 1974, THE COST OF THE FACTORY WAS ESTIMATED AT 1.89 MILLION FUA. IN EARLY 1977, TENDERS WERE INVITED FOR CONSTRUCTION WITH THE LOW BID BEING 3.95 MILLION FUA. WITH A TEN PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES AND PRICE ESCALATION, THE FINAL COST OF THE FACTORY WILL BE 4.35 MILLION FUA, WHICH IS MORE THAN DOUBLE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ABIDJA 01617 02 OF 02 161656Z

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

THE ORIGINAL COST ESTIMATE AND ALSO MORE THAN
DOUBLE THE BALANCE OF THE AFDF LOAN. THE COST
OF OTHER MISCELLANEOUS INPUTS HAS ALSO RISEN
SINCE THE INITIAL APPRAISAL AND THE ENTIRE COST
OF THE PROJECT IS NOW ESTIMATED AT 7.67 MILLION
FUA, OR 2.67 MILLION FUA OVER THE INITIAL COST
ESTIMATE. REVISED COST ESTIMATES INCLUDE TEN
PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES
AND PRICE ESCALATION. THE GOR INTENDS TO PROVIDE
THE BALANCE OF SUPPLEMENTARY FINANCING REQUIRED
ABOVE THE AFDF LOAN. GOR SHARE OF SUPPLEMENTARY
PACKAGE EQUAL TO 469 THOUSAND FUA. THE REVISED
APPRAISAL REPORT INDICATES THAT THE 54 PERCENT
INCREASE IN PROJECT COSTS WILL NOT SIGNIFICANTLY
REDUCE THE INITIALLY CALCULATED RATES OF RETURN
SINCE THE PRICE OF TEA HAS GONE UP CONSIDERABLY
SINCE 1974.
STEARNS

UNCLASSIFIED

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT LOANS, TEA
Control Number: n/a
Copy: SINGLE
Draft Date: 16 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABIDJA01617
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780072-0071
Format: TEL
From: ABIDJAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780250/aaaabppw.tel
Line Count: 188
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 44cdf2d8-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3581589
Secure: OPEN
Status: NATIVE
Subject: PROPOSED SUPPLEMENTARY AFRICAN DEVELOPMENT FUND LOAN TO FINANCE RWANDA RAMBA-GASEKE TEA PROJECT
SUMMARY: AFDF MANAGEMENT PROPOSES 2.2 MILLION FUND
TAGS: EAID, EFIN, AFDF
To: TRSY KIGALI
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/44cdf2d8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014